

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 DOTE-00 IO-11 TAR-01 H-02 DODE-00 PA-01

PRS-01 /097 W

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P R 082110Z JAN 76

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC PRIORITY 9587

AMEMBASSY LIMA PRIORITY

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

LIMITED OFFICIAL USE GUATEMALA 0112

FROM ROCAP

EO 11652: N/A

TAGS: ECIN, ETRD, EALR, GT, CR, HO, ES, NU

SUBJECT: CURRENT CRISIS IN THE ANDEAN PACT

REF: LIMA 147

1. FOLLOWING ARE COMMENTS ON THE SETBACK SUFFERED BY THE ANDEAN PACT AT THE DECEMBER 26-31 COMMISSION MEETING (REFTEL), DRAFTED BY REGIONAL INTEGRATION OFFICER FULLMER WHO LEFT LIMA ON DECEMBER 15 ON DIRECT TRANSFER TO ROCAP.

2. AT THE DECEMBER 9-14 COMMISSION MEETING IT HAD ALREADY BECOME OBVIOUS THAT THE AUTOMOTIVE INDUSTRY PROGRAM WAS DEADLOCKED AND,
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FURTHERMORE, THAT THERE WAS NO CONSENSUS ON HOW TO MEET OR

POSTPONE THE DECEMBER 1975 PROGRAM DEADLINES LAID DOWN IN THE AGREEMENT OF CARTAGENA. THE VENEZUELAN COMMISSION MEMBER MADE A STRONGLY WORDED STATEMENT REGARDING THE POSITION OF HIS GOVERNMENT AND THE OTHER COMMISSION MEMBERS FOLLOWED WITH STATEMENTS OF THEIR OWN. SINCE NO FUTHER PROGRESS SEEMED POSSIBLE AT THAT TIME, IT WAS DECIDED TO TERMINATE THE MEETING AND TO RECONVENE ON DECEMBER 26.

3. THE TEXTS OF THE STATEMENTS BY THE DIFFERENT COMMISSION MEMBERS ARE BEING POUCHED TO ARA/ECP AND TO AMEMBASSY LIMA, TOGETHER WITH THE FIAL REPORT OF THE AUTOMOTIVE INDUSTRY EXPERTS GROUP. THE MOST SIGNIFICANT SHORT-TERM IMPLICATION, GIVEN THE OUTCOME OF DECEMBER 26-31 MEETING, IS THAT VENEZUELA MAY NOW ADVANCE AN INDEPENDENT AUTOMOTIVE INDUSTRY PROGRAM OUTSIDE THE ANDEAN PACT FRAMEWORK. VENEZUELA HAD WARNED THAT IT WOULD NOT HOD UP ITS NATIONAL POLICY INITIATIVES IN THIS SECTOR BEYOND THE END OF 1975. AS AN ALERNATIVE TO THE SIX-NATION COORDINATED DEVELOPMENT PLAN, IT HAD INDICATED THE POSSIBILITY OF MORE LIMITED BINATIONAL COMPLEMENTATON OR COPRODUCTION AGREEMENTS BETWEEN VENEZUELA AND INDIVIDUAL ANDEAN COUNTRIES.

4. THE CAUSES FOR THE DIFFICULTIES AT THE PRESENT HALF-WAY POINT IN THE ANDEAN ECONOMIC INTEGRATION PROCESS COULD ROUGHLY BE SUMMARIZED AS FOLLOWS. FIRST, THE GOALS OF THE AGREEMENT OF CARTAGENA ARE TOO AMBITIOUS AND DO NOT GIVE ADEQUATE RECOGNITION TO NATIONALISTIC SENTIMENT IN THE MEMBER COUNTRIES. SECOND, VENEZUELA'S JOINING THE ANDEAN PACT CREATED UNFORESEEN COMPLICATIONS AND DELAYED MANY OF THE INTEGRATION STEPS, INCLUDING THE NEGOTIATION OF SECTORAL PROGRAMS OF INDUSTRIAL DEVELOPMENT. THIRD, THE EQUITABLE DISTRIBUTION OF BENEFITS FROM INTEGRATION AMONG COUNTRIES WITH DIFFERING LEVELS OF ECONOMIC DEVELOPMENT HAS PROVED TO BE EXTREMELY DIFFICULT. FOURTH, THE LEVEL OF COMMON EXTERNAL TARIFF PROTECTION (THE "MAXIMUM ALLOWABLE LEVEL OF INEFFICIENCY IN SUBREGIONAL IMPORT SUBSTITUTION") IS THE SUBJECT OF GREAT CONTROVERSY. FIFTH, THE JUNTA'S TASK TO BLUEPRINT MAJOR SHIFTS IN INVESTMENT PLANNING IN THE SIX-COUNTRY REGION HAS BEEN OVERWHELMING (THE AUTOMOTIVE INDUSTRY PROGRAM IS A CASE IN POINT). SIXTH, THERE IS CONCERN THAT THE SLOW AND AGONIZING LIMITED OFFICIAL USE

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NEGOTIATING PROCESS, EVEN THOUGH ALL PROCEEDINGS ARE BEHIND CLOSED DOORS, MAY BE DAMAGING TO THE IMAGE OF THIRD WORLD SOLIDARITY. THE VENEZUELAN COMMISSION MEMBER STRESSED IN THE ABOVE-MENTIONED STATEMENT THAT THE REDUCED FOREWARD MOTION ("PERDIDA DE ANIMO") IN ANDEAN INTEGRATION "OCCURS UNDER CIRCUMSTANCES IN WHICH WE PRESENT OUSELVES IN OUR DEMANDS ON THE DEVELOPED WORLD FOR THE ESTABLISHMENT OF A NEW INTERNATIONAL ECONOMIC ORDER".

5. THE SLOW PACE OF FOREIGN INVESTMENT ON THE ONE HAND AND IDEOLOGICAL DIFFERENCES AMONG THE MEMBER COUNTRIES ON THE OTHER, DO NOT SEEM TO BE KEY ELEMENTS IN THE CURRENT CRISIS. IT IS SIGNIFICANT TO NOTE THAT THE ARGUMENTS UNDERLYING THE POSITIONS OF, FOR EXAMPLE, THE PERUVIAN AND CHILEAN NEGOTIATORS ARE ECONOMIC, RATHER THAN IDEOLOGICAL.

6. THERE MAY BE SOME OVERREACTION TO THE CURRENT CRISIS. IT WOULD BE MISTAKEN TO DOWNGRADE THE GAINS OF THE ANDEAN COUNTRIES FROM THE INTEGRATION EFFORT TO DATE. A REASSESSMENT OF THE AGREEMENT OF CARTAGENA, INCLUDING A LOWERING OF THE SCHEDULES AND A RESCHEDULING OF SOME OF THE DEADLINES, COULD HELP TO GIVE THE INTEGRATION MOVEMENT NEW MOMENTUM. SIDMAN
ACTING.
MELOY

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